

CHAPTER 47
DECLARATION OF ESTIMATED INCOME TAX BY INDIVIDUALS

[Prior to 12/17/86, Revenue Department[730]]

701—47.1(422) Who must file a declaration.

47.1(1) General rule. The requirement to file estimate declarations was applicable only for tax years beginning before January 1, 1986. 701—Chapter 49 provides rules for making estimated tax payments for tax years beginning on or after January 1, 1986. Every taxpayer, including nonresidents, other than an estate or trust, shall make a declaration of estimated tax in a form as the department shall prescribe, if the taxpayer's tax attributable to income other than salaries and wages subject to withholding is reasonably expected to be \$50 or more for the calendar or fiscal year. The amount of estimated tax paid shall be used as a credit on the Iowa resident or nonresident individual income tax return.

47.1(2) Joint declarations. A husband and wife may make a joint declaration of estimated tax as if they were one taxpayer, in which case the liability with respect to the estimated tax shall be joint and several. If a joint declaration is made, but the husband and wife elect to determine their taxes separately, the estimated tax for such year may be treated as the estimated tax of either husband or wife, or may be divided between them, as they may elect.

47.1(3) Examples. Listed below are examples of various types of taxpayers who may be required to make Iowa estimate tax declarations. The list is for illustrative purposes and is not deemed to be all-inclusive.

1. *Self-employed.* An individual having taxable income working for oneself, with direct control over work, services rendered, fees and charges.

2. *Retiree.* An individual having taxable income from any source such as pensions, interest, dividends, stocks, capital gains, rents, royalties, farm or business, after having withdrawn from one's work, business, or career.

3. *Farmers and fishers.* Individuals deriving at least two-thirds of their yearly income from farming or fishing.

4. *Nonresidents.* Any individual residing outside the boundaries of the state, receiving taxable income from an Iowa source.

5. *Beneficiaries of estates and trusts.* Any resident or nonresident individual who is the recipient of income from an estate or trust from an Iowa source.

6. *Those with income in addition to wages.* An individual currently drawing salary or wages subject to withholding, having any type of additional taxable income from an Iowa source, not covered by withholding.

This rule is intended to implement Iowa Code section 422.16.

701—47.2(422) Time for filing and payment of tax.

47.2(1) Time for filing.

a. *General rule.* The date for filing a declaration of estimated tax is on or before the last day of the fourth month of the tax year. The declaration of estimated tax form is to be filed with the Iowa Department of Revenue and Finance, Declaration Unit, Hoover State Office Building, Des Moines, Iowa 50319.

b. *Special rule for farmers and fishers.* If the estimated gross income from farming or fishing is at least two-thirds of the estimated gross income from all sources for the taxable year, three optional methods are available:

(1) File a declaration by April 30 of the current year and make the required estimated payments and file the Iowa individual income tax return in the customary manner.

(2) File a declaration on or before January 15 of the succeeding year, pay the indicated estimate tax for the entire year, and file an Iowa individual income tax return on or before April 30 of the succeeding year.

(3) File an Iowa individual income tax return and pay the tax in full on or before March 1 of the succeeding year. No estimate declaration is required under this option.

c. Amended declarations.

(1) *General rule.* Whenever a taxpayer filing a declaration has reason to believe that the Iowa income tax may increase or decrease either for purposes of meeting the requirement to file a declaration of estimated tax, or for the purpose of increasing or decreasing the original declaration, an amended estimate shall be filed at the time to reflect the increase or decrease in estimated Iowa income tax. The amended declaration shall be made on or before the next installment payment. The unpaid balance after amending the declaration should be paid in equal installments on the remaining payment dates. If by January 31 of the succeeding year a taxpayer files the Iowa income tax return and pays in full the balance of tax due, the taxpayer need not file any required amended declaration, nor an original declaration which would be due for the first time on January 31 of the succeeding year nor pay the last installment of estimate tax.

(2) *Example.* A married couple filing a joint declaration on a calendar-year basis, estimating taxable income of \$8,500, with an estimated tax liability of \$300, files and pays the first quarter installment of \$75 by the due date of April 30 of the current year. By June 30, the date of payment of the second installment, their income status remains unchanged, therefore a second installment payment of \$75 is remitted. However on July 15, real estate owned jointly by the taxpayers is sold, creating additional taxable income for the year of \$7,500. An amended declaration is prepared indicating a new tax liability of \$900, less \$150 already paid for the first and second quarters, leaving a balance of \$750 to be paid in two equal installments of \$375 each by September 30 of the current year, and January 31 of the succeeding year.

47.2(2) Payment of estimated tax.

a. General rule. Declarations may be paid in full at the time of the first filing or in four equal installments. The taxpayer may also elect to pay any installment prior to the date prescribed.

b. Calendar year. The first installment for a taxpayer filing on a calendar-year basis is due by April 30, at the time of filing the declaration. The other installments, if applicable, shall be paid on or before June 30 and September 30 of the current year, and January 31.

c. Fiscal year. The installment dates for a taxpayer filing on a fiscal-year basis are:

Installment No. 1. The last day of the fourth month of the fiscal year.

Installment No. 2. The last day of the sixth month of the fiscal year.

Installment No. 3. The last day of the ninth month of the fiscal year.

Installment No. 4. The last day of the first month of the next fiscal year.

This rule is intended to implement Iowa Code section 422.16.

701—47.3(422) Nonresident declaration of estimated tax.

47.3(1) General rule. Except as noted in 47.3(2), payers of Iowa income to nonresidents are required to withhold Iowa income tax and to remit such tax to the department. See rule 701—46.5(422) for withholding on nonresidents.

47.3(2) Estimate declaration. Nonresidents who prefer to pay estimated tax in lieu of having Iowa income tax withheld by an Iowa withholding agent must obtain a certificate of release from withholding. The nonresident declaration of estimated income tax must be accompanied by full and complete payment and shall include a list of the name(s) and address(es) of any tenant or farm manager, or cooperative elevator, or other Iowa agent or payer from which the nonresident anticipates receiving income. The total gross income anticipated for the year shall also be shown on the declaration form. Any income paid in excess of the amount so stated on the declaration will be subject to withholding tax.

Upon the department's receipt and approval of the completed declaration and the full payment of tax due thereon, the certificate of release from withholding will be forwarded to the designated withholding agent or payer. Since the declaration is filed for the purpose of obtaining a release from withholding, it must be filed prior to the time of the transactions which would subject the taxpayer to the

Iowa withholding requirements. The declaration and payment shall be mailed to the Iowa Department of Revenue and Finance, Declaration Section, Hoover State Office Building, Des Moines, Iowa 50319.

47.3(3) Example. Nonresident declarations of estimated tax may be illustrated with the following example:

A nonresident individual owns a farm in Iowa which is operated by a farm manager. For tax purposes the farm manager is considered to be the Iowa withholding agent when distributing proceeds from the farm to the nonresident. A crop is sold through the local farm cooperative elevator and a check is issued to the farm manager, who then sends the check to the nonresident. Before doing so, Iowa income taxes must be withheld from the gross proceeds and remitted to the Iowa department of revenue for deposit and credit to the income tax liability of the nonresident, unless the farm manager has possession of a certificate of release from withholding issued by the department of revenue. In the event that the farm cooperative elevator sends the check for payment of the crops directly to the nonresident, the cooperative becomes the withholding agent.

This rule is intended to implement Iowa Code sections 422.16 and 422.17.

701—47.4(422) Special declaration periods.

47.4(1) Short taxable year. A taxpayer having a taxable year of less than 12 months shall make a declaration if anticipating an Iowa tax liability of \$50 or more for that specific short taxable year.

47.4(2) Part-year resident.

a. General rule. Part-year residents moving into or out of the state shall determine their Iowa estimated tax on that portion of income from sources within Iowa.

b. Example. An individual moving into the state on April 15, having taxable income from an Iowa source and an expected tax liability of \$150, must file the original declaration by June 30 along with remittance of \$50, and pay the remaining balance of \$100 in two equal installments of \$50 each by September 30, and January 31 of the succeeding year.

This rule is intended to implement Iowa Code section 422.16.

701—47.5(422) Reporting forms.

47.5(1) Resident. Individuals who have filed a prior year estimate tax declaration will receive by mail a preaddressed reporting form. Blank reporting forms are available from the department for those individuals declaring an estimate for the first time, or when the preaddressed form is misplaced or lost.

47.5(2) Nonresident. A special nonresident estimate tax declaration form with instructions is available from the department for any nonresident wishing to file a declaration and pay the tax, in lieu of having Iowa income tax withheld by an Iowa withholding agent.

This rule is intended to implement Iowa Code section 422.16.

701—47.6(422) Penalties: Failure to file and underpayment of estimated tax. The civil penalties provided by the Internal Revenue Code for failure to file a declaration, or for underpayment of the tax payable, shall apply to persons required to file declarations and make payments of estimate tax under the provisions of the Iowa Code. See 701—Chapter 44 for application and computation of penalties.

This rule is intended to implement Iowa Code section 422.16.

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